

## APPROVED

## MINUTES

KENT DISTRICT LIBRARY PENSION BOARD  
Kent District Library Service Center  
Wednesday, May 19, 2010 - 1:00 p.m.

*Present:*           Members: Sharon K. Harrington                           Administrators: Martha J. Esch  
                          Charles R. Myers   Brian L. Mortimore  
                          Anthony A. Senna  
                          Carol J. Simpson  
                          Henry T. Vry

                          Guests: John Jackson, *Asset Consulting Group*  
  Brian Smith, *Atlanta Capital*

*Absent:*                               None

I. Call to Order – Chair Charles Myers called the meeting to order at 1:00 p.m.

II. Pledge of Allegiance

III. Approval of Agenda

**Motion: Mr. Senna moved to approve the agenda as presented.**

**Support: Supported by Ms. Harrington.**

**RESULT: Motion carried.**

IV. Public Comments – None

V. Approval of Minutes: April 21, 2010

Trustee Myers requested the addition of the word “previous” to the last sentence in Item VII (Miscellaneous) to reflect that the motion being referenced is from the previous meeting.

**Motion: Mr. Senna moved to approve the minutes of April 21, 2010 as revised.**

**Support: Supported by Ms. Harrington.**

**RESULT: The motion carried.**

VI. Atlanta Capital Annual Report

Brian Smith presented the annual report for Atlanta Capital. He provided an organizational update, a discussion of Atlanta Capital’s investment strategies for the SMID cap market in 2009, and noted the resulting investment performance. In 2009, Atlanta Capital generated a favorable absolute rate of return without compromising the integrity of its discipline toward high quality stocks.

VII. Asset Consulting Group: 1<sup>st</sup> Quarter Report 2010

### **Total Fund**

- The Kent District Library Retirement System’s portfolio allocation as of March 31, 2010, was as follows:
  - *Asset Allocation:* Domestic Equity 40.5%, International Equity 9.5%, Fixed Income 49.3%, and Cash Equivalents 0.7%.
  - *Manager Allocation:* INTECH 30.0%, Atlanta Capital 10.6%, Templeton 9.5%, JP Morgan 49.3%, and cash 0.6%.
- The Total Portfolio market value was \$31,097,928 as of March 31, 2010 and included a \$1,065,709 return on investment for the first quarter 2010.
- The Total Portfolio generated a return of 3.6% in the first quarter performing in line with the Policy

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Index (3.6%), and slightly outperforming the median peer with a similar equity allocation (3.3%). Over the past one, three, five and ten year periods, the Total Portfolio has returned 27.3%, 2.5%, 4.9%, and 3.5%, respectively.

- For the five year period ending March 31, 2010, the Total Fund had a risk profile (as measured by the standard deviation) lower than the median peer and the Policy Index.
- As of March 31, 2010, the retirement system's assets are in compliance with the investment criteria established by Michigan Public Act 314.

### **JP Morgan Asset Management**

- The JP Morgan core bond portfolio returned 2.3% in the first quarter, outperforming the Barclays Capital Aggregate Index by 50 basis points and ranking in the 45<sup>th</sup> percentile of the core bond peer universe. Over the past year, the strategy's 11.9% return is more than 400 basis points ahead of the Index but slightly below the median relative to its peer group.
- The portfolio's underweight to Treasuries in favor of spread sector securities contributed positively in the first quarter, as the rally from non-Treasury securities continued from last year. In comparison to peers, JP Morgan's higher quality portfolio has trailed those strategies that have more exposure to corporate and structured securities, particularly the CMBS market.
- Over a trailing 10 year period, the strategy has returned an annualized 7.0% versus 6.3% for the Index and is meeting its performance objectives over this time period.

### **INTECH**

- INTECH's large cap core strategy returned 5.7% in the first quarter, modestly ahead of the S&P 500 Index and the median large core manager. Over the trailing one year period, the portfolio has generated a return of 48.6% versus 49.8% and 50.0% for the respective benchmarks.
- INTECH's process is based upon a quantitative mathematical approach that does not focus on bottom up stock selection or macro economic themes. INTECH's strategy is focused on relative volatility, seeking to overweight stocks with high volatility relative to the Index and underweight those stocks with low relative volatility.
- In the four years since inception in the portfolio, the strategy has declined 0.4% relatively in line with the broad market but underperforming the median peer.

### **Atlanta Capital**

- Atlanta Capital's small/mid cap strategy advanced 7.9% in the first quarter, lagging both the Russell 2500 Index and the median SMID peer mainly due to poor stock selection in the consumer discretionary sector. In addition, the high quality bias of Atlanta Capital's portfolio continued to be out of favor as lower quality, highly levered stocks were the strongest performers during the first quarter.
- In the one year since inception in the portfolio, the Fund has returned 52.9% versus 65.7% for the Index and 60.0% for the median peer.

### **Templeton**

- Templeton's international equity portfolio declined 0.6% in the first quarter, underperforming both Indices and a majority of the peer universe by a relatively wide margin. Despite a strong absolute return of 53.6% over the past year, the strategy is lagging both Indices and ranks in the 57<sup>th</sup> percentile of the international equity peer universe.
- Poor stock selection in the financials, telecommunication services, energy and materials sectors was the largest detraction to performance for the quarter, while the portfolio's information technology holdings were the largest contributors. On a regional basis, the portfolio was hurt by an overweight position to the weak performing European region but this was somewhat offset by an underweight position coupled with strong stock selection in China.
- Over a trailing ten year period, the strategy has returned an annualized 5.2% outperforming both Indices and ranks in the 52<sup>nd</sup> percentile of the median international equity peer.

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John Jackson noted that the market has made a significant rebound since 2008. The rally likely resulted from cost-cutting measures by companies and the embracing of lower quality stocks by investors. Consumer spending is up and confidence in the market increased throughout 2009. The market still faces some headwinds as the national unemployment rate hovers around 10%, the government mortgage program comes to an end, and the debt crisis in Europe potentially intensifies. In the first quarter of 2010, equities were strong with the financials, industrials, and consumer discretionary sectors out front. Emerging markets also continued to be strong in the first quarter.

Mr. Jackson discussed international equity options with the Board and noted potential opportunities to increase returns by modifying the current portfolio allocation mix to include a higher percentage of non-U.S. equity. He noted that real estate may also be a viable option to consider in six-to-twelve months.

The Board discussed the Plan's long-term liabilities in response to the recent change in the labor agreement to cease Plan enrollment for new employees hired after December 31, 2009. Brian Mortimore noted that the actuarial presentation at the August meeting will provide additional information on this matter.

VIII. Approval of Invoices

**Motion:** Mr. Senna moved to approve the invoices as presented totaling \$17,262.90.

**Support:** Supported by Ms. Simpson.

**RESULT:** Motion carried.

IX. Refund of Accumulated Contributions (Non-Vested Terminations)

Name	Start Date	Termination Date	Pension + Interest
J. Gregory	3/24/2008	12/23/2009	\$1,080.22
Z. Coulter	11/19/2007	12/31/2009	\$536.97
B. McFall	9/11/2006	1/30/2010	\$2,895.97
K. VanderKam	9/18/2006	3/1/2010	\$2,631.11
R. Jackson	1/15/2007	3/15/2010	\$1,800.86

X. Retirement (Vested Terminations)

Name	Start Date	Termination Date	Service Credits	Monthly Benefit
M. Coulter	3/20/2000	1/20/2010	7.2323	\$341.02 – Option C
H. Martinus	1/10/2000	2/11/2010	7.7020	\$365.05 – Option C
J. Myers	9/17/1987	2/12/2010	22.1311	\$1,285.57 – Option C
P. VanderPloeg	8/22/1988	2/19/2010	21.4679	\$3,286.85 – Option A
M. Smith	12/17/1984	3/26/2010	21.2712	\$1,842.87 – Option A
M. Kaiser	9/17/1996	4/1/2010	9.2116	\$486.02 – Straight Life

Human Resources Director Brian Mortimore reported that the retirees had been counseled about retirement options and made elections after meetings in which spouses were included where applicable.

**Motion:** Ms. Harrington moved to approve the retirements of M. Coulter, H. Martinus, J. Myers, P. VanderPloeg, M. Smith, and M. Kaiser as presented.

**Support:** Supported by Mr. Vry.

**RESULT:** Motion carried.

XI. Due Diligence Review: Attorney Services

The Board discussed whether to initiate an RFP for attorney services in light of the current satisfaction with services and the perceived limited use and expense of these services. The Board requested that the Plan Administrator compile and distribute a list of attorney fees from the last three years. The Board will revisit this topic at its August meeting.

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Trustee Vry also requested a review of custodial banker fees from the last three years to verify that they match the quoted prices.

XII. Miscellaneous

Trustee Harrington thanked Library Director Martha Esch for her participation on the Board and wished her well in her retirement. The Board echoed her sentiments.

XIII. Adjournment

Chair Charles Myers adjourned the meeting at 2:47 p.m.

**Next Meeting: Wednesday, August 18, 2010 at 1:00 p.m. – KDL Service Center**